

Message Text

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21

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 5938

INFO AMCONSUL ADANA

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E.O. 11652: N/A

TAGS: PFOR, EFIN, CY, TU

SUBJECT: EFFECT OF CYPRUS OPERATIONS ON TURKISH BUDGET

1. OZOL, DIRECTOR GENERAL, TREASURY DEPARTMENT, SAID HE HAS BEEN DIRECTLY INVOLVED IN EXAMINATION OF IMPACT ON GOT BUDGET AND ECONOMY OF TURKISH MILITARY OPERATIONS IN CYPRUS. HE SAID ADDITIONAL BUDGETARY APPROPRIATION WILL BE NEEDED BUT PROBABLY NOT UNTIL NEAR END OF CURRENT FISCAL YEAR (WHICH ENDS FEBRUARY 28, 1975). AT PRESENT GOT EXPENDITURES ARE WITHIN THE AMOUNTS APPROPRIATED UNDER THE TFY 1974 BUDGET. HOWEVER, THE PRESENT MONTH, SEPTEMBER, IS THE SEVENTH MONTH OF THE BUDGET YEAR AND CUMULATIVE EXPENDITURES ARE APPROACHING LEVEL OF THE NINTH MONTH.

2. OZOL SAID IT WILL BE SOME TIME BEFORE IT IS POSSIBLE TO MAKE A PRECISE CALCULATION OF THE ADDITIONAL BUDGETARY COSTS AS A RESULT OF THE MILITARY INTERVENTION IN CYPRUS. HE CONFIRMED AS APPROXIMATELY CORRECT A FIGURE OF TL FIVE BILLION (ROUGHLY 350 MILLION DOLLARS) MENTIONED PUBLICLY RECENTLY BY THE MINISTER OF FINANCE AS

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THE COST OF THE FIRST PHASE OF OPERATIONS (DURING JULY) IN CYPRUS.

HE REITERATED THAT THE PRECISE FIGURE WILL NOT BE DETERMINED FOR SOME TIME. OZOL SAID THAT THIS FIGURE REPRESENTED THE "ADDITIONAL" COSTS OF THE MILITARY INTERVENTION RATHER THAN THE TOTAL COSTS (WHICH WOULD INCLUDE ALSO EXPENDITURES INCURRED BY MILITARY IN NORMAL PEACETIME ACTIVITIES). OZOL SAID COSTS OF SECOND PHASE OF OPERATIONS IN CYPRUS (MID-AUGUST) MAY HAVE BEEN LESS THAN THE FIRST PHASE. HOWEVER, THERE WILL BE ADDITIONAL COSTS FOR SOME PERIOD AHEAD WHICH CANNOT NOW BE FORESEEN AS LONG AS TURKISH FORCES REMAIN IN CYPRUS. OZOL SAID IT IS TOO SOON TO HAVE ANY CLEAR IDEA OF THE COSTS INVOLVED

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3. HE EXPECTS THAT THE ADDITIONAL APPROPRIATION WILL BE FINANCED BY DOMESTIC BORROWING. COUNSELOR REFERRED TO RECENT STATEMENT BY MINISTER OF FINANCE THAT TREASURY WILL NEXT MONTH MARKET "PEACE-KEEPING OPERATION BONDS", OFFERING 11 PERCENT INTEREST AND EXEMPT FROM ALL TAXES. OZOL SAID ISSUANCE OF THESE BONDS IS ALREADY PROVIDED FOR IN BUDGET APPROVED EARLIER THIS YEAR WHICH PROVIDES FOR LONG-TERM DOMESTIC BOND ISSUES OF TL SIX BILLION TO BRIDGE GAP BETWEEN ANTICIPATED RECEIPTS AND INVESTMENTS (REF ANKARA 4278). IN ORDER TO ENHANCE THE SALE OF THE BONDS THE GOT IS LINKING THEIR SALE WITH THE "PEACE KEEPING OPERATION". OZOL EXPECTS THAT ADDITIONAL COSTS OF CYPRUS OPERATION WILL EVENTUALLY ALSO BE MET BY SIMILAR BOND ISSUES.

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